

Legislative Audit Division

State of Montana



June 2002

Report to the Legislature

Performance Audit

Montana Board of Veterans' Affairs Montana Veterans' Affairs Division

This report contains an examination of the operations of the Montana Board of Veterans' Affairs and the Montana Veterans' Affairs Division. Areas assessed include:

- ▶ Mission.
- ▶ Availability and Use of Resources.
- ▶ Veterans Claims Processing

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Members of the performance audit staff hold degrees in disciplines appropriate to the audit process. Areas of expertise include business and public administration, statistics, economics, political science, logistics, computer science, and engineering.

Performance audits are performed at the request of the Legislative Audit Committee which is a bicameral and bipartisan standing committee of the Montana Legislature. The committee consists of six members of the Senate and six members of the House of Representatives.

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June 2002

The Legislative Audit Committee
of the Montana State Legislature:


We conducted a performance audit of the Montana Board of Veterans' Affairs and the Montana Veterans' Affairs Division. The board and the division are responsible for establishing a statewide service for discharged veterans and their families and to actively promote their general welfare. This report contains recommendations for increasing operational efficiency and improving services provided to veterans. Written response from the Board is included at the end of the report.

We appreciate the cooperation and assistance of Board members and staff.

Respectfully submitted,

A handwritten signature in black ink that reads "Scott A. Seacat". The signature is stylized and includes a long horizontal flourish extending to the right.

Scott A. Seacat
Legislative Auditor



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Legislative Audit Division

Performance Audit

Montana Board of Veterans' Affairs Montana Veterans' Affairs Division

Audit staff involved in this audit were Tom Cooper and Angie Grove.

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Introduction

At the request of the Subcommittee on Military and Veterans' Affairs of the Interim Committee for State Administration and Veterans' Affairs, the Legislative Audit Committee recommended a performance audit of the Montana Board of Veterans' Affairs (Board) and the Montana Veterans' Affairs Division (MVAD). Based on this request and audit planning, we established three objectives:

1. Does Montana law provide the Board/MVAD the authority and responsibility to accomplish its mission?
2. Could reallocation of Board/MVAD resources improve mission support?
3. Could MVAD claims processing be improved?

Veterans Assistance

The federal government provides a range of benefits to qualified veterans discharged from military service. Although there is no federal criteria (law or regulation) requiring states to assist veterans, the Montana legislature established the board to provide a statewide service to assist veterans in obtaining benefits. Over the years, this assistance developed into a combination of support from the state government organization and private veterans' service organizations.

How Many Montana Veterans?

According to Board staff, the number of Montana veterans is estimated at 107,000. In addition, there are 170,000 family members of veterans. Currently, about 35,000 veterans are over age 65 and served in World War II or the Korean War. In calendar year 2000, over 19,000 veterans received health care and more than 14,000 veterans and survivors received disability compensation or pension payments. In addition, 1,400 veterans used GI Bill payments for their education, and over 13,000 purchased homes through Veterans' Administration (VA) home loan guarantees. According to MVAD records, an estimated \$44 million in annual benefits (disability compensation and pension) is paid directly to Montana veterans.

Board of Veterans' Affairs

Section 2-15-1205, MCA, establishes the Board as a five-member board appointed by the Governor serving with the consent of the Senate. Board members serve five-year terms and must be

Report Summary

honorably discharged from US military service. The statute allows the Board to hire its own staff, and administratively attaches the Board to the Department of Military Affairs (DMA). MVAD is composed of 19.5 FTE located in 9 offices across the state (includes the Helena central office). The annual MVAD appropriations for fiscal year 2001-02 are approximately \$690,000 in General Fund money for operations and staff and \$161,000 in special revenue for cemetery operations.

Application for Benefits

Typically, the claims assistance process starts with the veteran contacting the service officer for help in applying for a federal VA benefit. The application forms used for most of these benefits are lengthy and fairly complex. In addition, each of the applications can require a significant amount of supporting documentation. This can include personal records such as marriage licenses, divorce decrees, dependent birth certificates, military records indicating assignment locations and duties performed, and medical records showing evidence of medical conditions. The most common applications for federal benefits are:

- ▶ Disability compensation.
- ▶ Disability pensions.
- ▶ Education, burial, and death benefits.
- ▶ Enrollment for medical care.

Board/MVAD Focuses on Veterans Assistance

Audit objective 1 was established to respond to the interim sub-committee's question about whether the existing mission reflects the current statute for the Board/MVAD. We found MVAD assists veterans and their families statewide as required by Montana law, promotes the general welfare of veterans, and includes a wide range of assistance activities. We concluded Montana law provides broad authority for the Board/MVAD mission. The Board/MVAD are generally in compliance with the law.

Current Board/MVAD Mission does not Include Cemetery Oversight

Although section 10-2-601, MCA, requires DMA to establish veterans' cemeteries, historically the Board/MVAD have been responsible for the development of Montana's state veterans' cemeteries. The Board/MVAD continue to oversee both Montana

veterans' cemeteries. We concluded the current oversight management of cemeteries is effective. However, the law does not reflect Board/MVAD administrative oversight. We noted both DMA officials and the Board support revising the statute. We recommend the Board/MVAD and the DMA seek legislation to revise statute to reflect cemetery oversight by the Board/MVAD.

Resources for Mission Support

The purpose of the second audit objective was to determine if re-allocation of Board/MVAD resources could improve mission support. Our answer is yes, a re-allocation of resources would improve services. We developed the following conclusions and recommendations from this objective.

Communications and Management Information Systems are Needed

Based on our audit findings, we believe communications equipment and capabilities have a direct impact on the quality of assistance provided to veterans. Up-to-date computers along with additional office equipment would improve the effectiveness of MVAD staff and promote communications ensuring veteran access to services. We believe the division can improve veterans' assistance by developing a management information system that provides for claims tracking and monitoring and by upgrading field office equipment needed for improved communications. We recommend MVAD upgrade management information systems and communications equipment to improve veterans' services.

MVAD Travel Resources Could be Used More Efficiently

Five of the nine MVAD officers spend six to eight days a month or up to 36 percent of their time traveling. We projected the division is spending approximately \$80,000 a year (11 percent of projected expenditures) for staff time and vehicle costs on rural outreach. We believe MVAD could evaluate the efficiency of officer travel and reallocate current resources to other MVAD activities. We recommend MVAD evaluate staff travel efficiency and develop alternatives for providing rural outreach services.

Improving Veterans' Claims Processing

The purpose of audit objective 3 was to determine if claims processing could be improved. Our answer is yes. We developed the following conclusions and recommendations from this objective.

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Stronger Quality Control Over Claims Processing is Needed

MVAD field officer and technician supervision is minimal. Supervision of claims processing activities is based on piece-meal reviews of material provided by staff and does not include on-site review of the process used by officers and technicians. The current review offers little feedback. During our review of claims processing, we noted inconsistencies between MVAD offices. To increase staff effectiveness and process consistency, we believe the next step is a more formal approach to claims processing quality control. The division could expand supervisory responsibilities of the senior service officer position to include on-site quality control. We recommend MVAD establish a comprehensive quality control process, including on-site review of claims processing.

Standard Policies Would Strengthen the Claims Process

In addition to on-site supervision and quality control, policies are needed to provide guidelines for staff to follow when processing claims. Many factors influence the outcome of a claim submitted by a veteran. Process consistency between offices will help assure the same factors are applied to all veterans served. We found MVAD has not established policies regarding how service officers are expected to manage claims. We recommend the Board/MVAD establish policy for key activities including:

- A) Records management.
- B) Claims evidence standards.
- C) Outreach material standards.
- D) Home visits.
- E) Staff overtime.
- F) Type of facilities used for rural outreach visits.

Standardize Position Classifications

We compared duties identified in MVAD position descriptions to duties actually performed. The difference between duties of service officers and technicians was minimal. In addition, we found field service officer position classifications varied, even though our observations indicated duties were essentially the same. Officers and technicians indicated there were drawbacks to the current arrangement. At times veterans were reluctant to discuss claims issues with technicians because they believed better service could be

provide by the designated service officer. With standard classification, MVAD would have more flexibility to provide services to veterans. It would also provide the opportunity to consider changes in staff allocations and assignment locations. Travel responsibilities could also be distributed more evenly between staff. Further, communication and coordination with VA officials could be enhanced, improving assistance to veterans. We recommend MVAD review and revise technician and officer classifications to reflect current duties and responsibilities.

Increase Training/Mentoring

Veteran assistance services constantly change due to Code of Federal Regulations amendments, court case decisions, and appeal case decisions. We found MVAD staff training generally consists of a one-week session per year in Helena for all service officers and technicians. Officers provided examples of procedural requirements that they were not aware of until it affected one of their cases. To improve consistency and service to veterans, the amount of training provided to MVAD service officers should be increased. Using a mentoring approach would also improve process consistency. By spending two or three days at different locations, officers could exchange their best claims management practices with other MVAD staff. In addition, mentoring could provide a less expensive method for increasing staff training. We recommend MVAD strengthen staff training by:

- A) Provide additional training.
- B) Formalize a mentoring methodology.

Establish Workload Assessment Methodology

We identified a need to assess travel efficiency to assure the use of funding resources is effective. We also addressed a need to develop a management information system and to help improve communications at all levels. In order to determine and evaluate decision alternatives, pertinent workload information should be identified, compiled, and assessed. Although MVAD collected some workload data, we found the material compiled could not be used to assess staff activities or establish work priorities. During our visits to field service offices, we identified several categories of staff activities that could be tracked to help measure and assess workload.

Report Summary

We believe MVAD should establish a workload evaluation methodology that includes an assessment of primary workload activities. Assessment would improve decision-making in areas such as more/less travel, more/less office time, number of staff in each office, office locations, part- versus full-time staff needs, and workload priorities. We recommend MVAD establish a workload evaluation methodology to assess staff activities and work priorities.

Chapter I - Introduction

Introduction

At the request of the Subcommittee on Military and Veterans' Affairs of the Interim Committee for State Administration and Veterans' Affairs, the Legislative Audit Committee recommended a performance audit of the Montana Board of Veterans' Affairs (Board) and the Montana Veterans' Affairs Division (MVAD). The interim subcommittee asked for an examination of the following areas:

- ▶ Accessibility of federal grant funding to Board/MVAD.
- ▶ Administration and funding of state veteran cemeteries.
- ▶ Board/MVAD administrative structure and assignment.
- ▶ Utilization of Board/MVAD funding and resources.
- ▶ Determination of MVAD veterans service officer workload.

Audit Objectives

We established three audit objectives to address the above areas:

1. Does Montana law provide the Board/MVAD the authority and responsibility to accomplish its mission?
2. Could reallocation of Board/MVAD resources improve mission support?
3. Could MVAD claims processing be improved?

In chapters III, IV, and V, we discuss our findings related to these objectives.

Audit Scope

To establish audit scope, we met with subcommittee staff to compile topics related to veterans' affairs. In addition, we examined the performance audit conducted in the early 1980's (Sunset Review) to understand the mission and issues at that point in time. We coordinated with Legislative Audit Division financial-compliance auditors to avoid duplication and to take advantage of previous work. As a result of our discussions and our planning process, we included these additional topics in audit scope.

- ▶ Does the location of MVAD service offices impact veteran access?

Chapter I - Introduction

- ▶ Is increased outreach to veterans necessary?
- ▶ Should individual veteran case management be added to the MVAD mission?
- ▶ Does the relationship between MVAD staff and veterans' service organizations impact services?
- ▶ Is MVAD staff training adequate?
- ▶ Is additional MVAD legal support needed?
- ▶ Can MVAD claims processing be more effective?

One of our goals was to address as many of the topics identified by the subcommittee and various staff as possible. The scope examines the current role of the Board and day-to-day operations of MVAD.

Scope Exclusions

We excluded two areas from audit scope:

- ▶ Review of veteran-related statutes such as state employment preferences and tax breaks. These do not currently involve staff from MVAD.
- ▶ Federally-controlled activities such as the quality and timeliness of medical care and the claims review and appeal process. These are not under the control of any state agency.

Audit Methodologies

We interviewed the five Board members to identify the mission, roles, and responsibilities of the Board and MVAD. We also examined three years of Board meeting minutes.

We interviewed MVAD management to outline operating policies and procedures used to provide assistance services for veterans. We also interviewed the division cemetery staff and observed cemetery operations at Fort Harrison and Miles City.

We visited all eight MVAD field service offices as well as nine facilities used by officers as they travel to provide statewide coverage for veterans' assistance. During the visits, we interviewed nine veteran service officers and six veteran service technicians. In

addition to verifying claims processing procedures, we reviewed 40 veteran case files maintained by staff. We also observed officers and technicians providing service to veterans.

Officials from the Department of Military Affairs (DMA) were interviewed to discuss the type and amount of administrative support provided to the Board/MVAD. In addition, we interviewed staff from the federal Department of Veterans' Affairs (VA) to gain an understanding of the work accomplished by officers during the claims preparation and submission process. We also reviewed management information systems used by the federal VA.

We examined state law establishing the Board and authorizing staff, providing for two state veterans cemeteries, and designating administrative attachment of the Board to DMA. Budget/ expenditure information was reviewed for Board/MVAD operations.

We contacted Idaho, South Dakota, and Utah to compare their veterans' assistance mission, organizational structure, and operations to Montana's approach. We selected states with similar geography and veteran populations compared to total populations.

Compliance

We examined compliance with state law and administrative rules. We identified one area of noncompliance with state law. Chapter V includes a recommendation to improve compliance by establishing MVAD policy for managing veteran case files.

Report Organization

The remainder of this report is organized as follows:

- ▶ Chapter II, Veterans' Assistance. Provides information related to current Montana law and MVAD operations.
- ▶ Chapter III, Mission Authority and Responsibility. Responds to audit objective 1: Does Montana law provide the Board/MVAD the authority and responsibility to accomplish its mission?

Chapter I - Introduction

- ▶ Chapter IV, Resources for Mission Support. Responds to audit objective 2: Could reallocation of available Board/MVAD resources improve mission support?
- ▶ Chapter V, Improving Veterans Claims Processing. Responds to audit objective 3: Could MVAD claims processing be improved?

Chapter II – Veterans’ Assistance

Introduction

The federal government provides a range of benefits to qualified veterans discharged from military service. Although there is no federal criteria (law or regulation) requiring states to assist veterans, the Montana legislature established the Montana Board of Veterans’ Affairs (Board) to provide a statewide service to support veterans. Over the years, the capability to provide veterans assistance has developed into a combination of support from the state government organization and private veterans’ service organizations. In this chapter we describe the services received and the process used to assist veterans with access to benefits. We also provide conclusions related to interim subcommittee questions.

What are Veterans' Benefits?

There is a wide range of state and federal benefits available to veterans. On the federal level, these include:

- ▶ Education.
- ▶ Medical and dental care.
- ▶ Home loans.
- ▶ Compensation for service-connected disability.
- ▶ Vocational rehabilitation.
- ▶ Pensions for non-service connected disability (low income).
- ▶ Death benefits and life insurance.
- ▶ Access to state veterans’ cemeteries.

Article II, Section 35 of the Montana Constitution declares that Montana military service veterans may be given special considerations determined by the legislature. State benefits include:

- ▶ \$250 death benefit.
- ▶ \$70 grave marker payment.
- ▶ Tuition waivers (University System).
- ▶ Employment preference.
- ▶ Access to Montana veterans’ nursing homes.

Chapter II – Veterans’ Assistance

- ▶ Free license plates for veterans classified with 100 percent disability.
- ▶ No property taxes for veterans classified with 100 percent disability.
- ▶ Free fishing/hunting licenses for disabled veterans.
- ▶ Burial in state veterans’ cemeteries.

How Many Montana Veterans?

According to Board staff, the number of Montana veterans is estimated at 107,000. In addition, there are 170,000 family members of veterans. Currently, about 35,000 veterans are over age 65 and are World War II or Korean War veterans. Staff project the number of veterans is estimated to decline over the next ten years by approximately 10,000 veterans and 20,000 family members.

According to information from the federal Department of Veterans’ Affairs (VA), nearly \$175 million was spent in Montana in calendar year 2000 to serve veterans. This amount includes benefits paid to veterans, money spent for operations of a regional hospital in Helena and ten VA clinics located in communities across the state. During calendar year 2000, over 19,000 veterans received health care and more than 14,000 veterans and survivors received disability compensation or pension payments. In addition, 1,400 veterans used GI Bill payments for their education, and over 13,000 purchased homes through VA home loan guarantees. According to MVAD records, an estimated \$84 million in annual benefits (disability compensation and pension) is paid directly to Montana veterans.

Board of Veterans’ Affairs

Section 2-15-1205, MCA, establishes the Board as a five-member board appointed by the Governor serving with the consent of the Senate. Board members serve five-year terms and must be honorably discharged from US military service.

Section 10-2-102, MCA, outlines the following duties of the Board:

- ▶ Establish a statewide service for discharged veterans and their families.

- ▶ Actively cooperate with state and federal agencies having to do with the affairs of veterans and their families.
- ▶ Promote the general welfare of all veterans and their families.

Board members are selected from five regions established across the state to provide a broad representation. Board member representation ranges from seven counties in northwestern Montana to thirteen counties in southwestern, north central, and eastern Montana. The south central area of responsibility includes ten counties.

Section 2-15-1205, MCA, allows the Board to hire its own staff, and administratively attaches the Board to the Department of Military Affairs (DMA). Board staff must be Montana residents, and if possible have served in and been honorably discharged from the military. Administrative attachment to the DMA does not include oversight of Board activities. DMA only provides indirect assistance in areas such as biennial budget development and personnel classification.

Montana Veterans' Affairs Division (MVAD)

Staff support for the Board has been organized as the Montana Veterans' Affairs Division (MVAD). The division defines its mission as follows:

- ▶ Assist all Montana veterans, surviving spouses and dependents in preparing and filing claims with the federal VA, the State of Montana, and any agency involved in veterans' affairs.
- ▶ Obtain copies of military service records upon request.
- ▶ Coordinate with service officers of veterans service organizations of Montana.
- ▶ Assist genealogical societies and individuals in searching for military service members.
- ▶ Operate and maintain the Montana Veterans' Cemetery (Fort Harrison) and the Eastern Montana State Veterans' Cemetery (Miles City).

Chapter II – Veterans’ Assistance

- ▶ Maintain burial records for the two cemeteries.
- ▶ Perform as a legislative liaison for veterans.

MVAD Staff and Budget

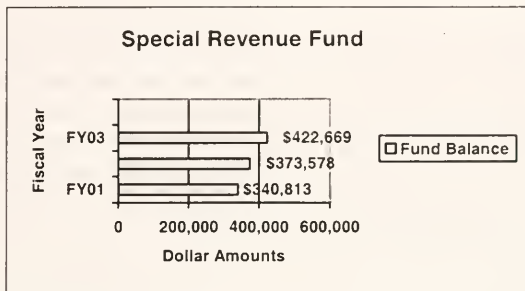
The division is composed of 19.5 FTE located in 9 offices across the state (includes the Helena central office). Each veterans service office is staffed by a service officer and a technician (both full-time). In Miles City, there is only a service officer. The Helena field service office has two service officers located at Fort Harrison and receives part-time administrative assistance from the central office located in the National Guard headquarters facility. Central office staff includes a division administrator, an administrative assistant, a cemetery sexton, and a part-time grounds keeper.

The annual MVAD appropriation for fiscal year 2001-02 is approximately \$690,000 in General Fund money for personnel and division/office operations. The majority of total division expenditures are for personnel. For fiscal year 2000-01, personnel accounted for \$605,300 or 88% of total expenditures.

In addition, MVAD is appropriated \$161,000 of state special revenue annually for operation of the two state veterans’ cemeteries located at Fort Harrison and Miles City. State special revenue funds (from veterans license plate sales, donations and burial fees) are used to support cemetery operations including 1.5 FTE and contracted maintenance in Miles City.

As of February 2002, the fund balance for the special revenue account was \$422,669. Although annual revenues for the cemetery account decreased (\$5,000) in the past three years, this trend should be reversed with the 2001 legislative mandate increasing the amount of the veterans’ license plate fee retained for cemeteries (\$10 instead of \$6) and a \$150 increase in the federal plot allowance authorized by Congress. Figure 1 shows the special revenue fund balance for the past three years.

Figure 1
Special Revenue Fund Balance
(as of February 2002)



Source: Compiled by Legislative Audit Division from MVAD records.

During the 2001 legislative session, the legislature appropriated \$12,200 annually from these state special revenue monies to support cemetery administrative duties performed by the division administrator and administrative assistant. In conjunction with this special revenue appropriation, General Fund support was reduced by a corresponding \$12,200 amount. We believe this use of these funds is appropriate based on the statutory language that allows for expenditures for cemetery administration as well as maintenance and operations.

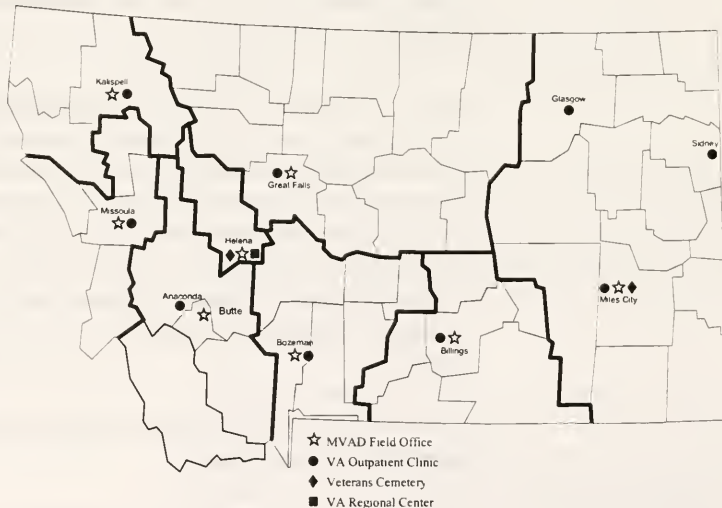
Conclusion: State special revenue for division cemetery administration is appropriate.

Service Officers Are Located Across the State

Seven of the eight service offices are responsible for rural outreach in multiple counties. The Helena service office only covers Lewis and Clark County, but is also responsible for assisting veterans traveling to the federal VA’s regional medical facility at Fort Harrison.

All service officers have access to motor pool vehicles, maintain a state vehicle, or are authorized to use their private vehicle to travel to adjoining counties. County visit schedules are published in advance and facilities such as senior centers, courthouses, or libraries are used for rural outreach visits. Rural outreach can include visits to assist veterans in nursing homes, tribal reservations, and private residences. In most cases, veterans can also make appointments for assistance. The following figure shows the location of eight MVAD offices, and the locations of the federal VA hospital and federal clinics in Montana.

Figure 2
Field Office Locations



Source: Compiled by the Legislative Audit Division from MVAD Records.

Process Requires Authorization to Represent the Veteran

A federal VA form referred to as a power of attorney is used to document the appointment of service officers as the authorized representative of the veteran. The power of attorney is used to allow

service officers access to confidential military and medical records of veterans in order to help them apply for benefits. Federal criteria requires the designation of an authorized representative to access records.

In Montana, veterans seeking assistance from MVAD can designate the division or one of seven veterans’ service organizations as their representative. The division is certified by these seven organizations to provide assistance services to their members or to veterans who desire assistance from: American Legion, Military Order of the Purple Heart, Veterans of WWI of the USA Incorporated, Retired Enlisted Association, Blinded Veterans Association, American Veterans, and Vietnam Veterans of America.

The state does not represent all veterans’ service organizations. Organizations such as the Veterans of Foreign Wars, the Vietnam Veterans of America, and the Disabled American Veterans established their own service officers to assist veterans with claims. Veterans can choose to receive assistance from any service officer, either from a state or veterans service organization. In addition, a veteran could seek assistance from a private attorney or choose to prepare and submit applications for benefits on their own. In any case, the designated power of attorney provides for control over veteran records.

Board/MVAD and Service Organizations Relationship

We were asked to examine the affect of the operating relationship between the Board/MVAD and Montana’s veterans’ service organizations. The option for the state to represent service organizations evolved historically from a support structure initiated by veterans’ service organizations before state government assistance entities were established. This partnership exists in most states.

We contacted representatives from three service organizations in Montana (American Legion, Veterans of Foreign Wars, and Vietnam Veterans of America) to discuss this arrangement. These representatives indicated assistance to veterans was the overriding priority. Further, two of the organizations indicated they had

provided funding for service officer training to MVAD in the past, because all veterans benefited when a Montana service officer became more qualified. Discussions with Board members substantiated the lack of concerns in this area. We concluded the MVAD relationship with service organizations positively affects assistance to veterans. Regardless of organization designation on the power of attorney, MVAD staff consistently provides the same range of assistance to all veterans.

Conclusion: The relationship between the Board/MVAD and veterans service organizations positively affects the mission.

Claims Processing at the State Level

Typically, the claims assistance process starts with the veteran contacting the service officer for help in applying for a federal VA benefit. Service officers help veterans to identify the types of disability that may be connected to military service and therefore result in disability compensation.

Most Frequently Used Applications

The most common applications for federal benefits are:

- ▶ Disability compensation. Disability compensation is a monetary benefit paid to veterans who are disabled by injury or disease incurred or aggravated during active military service. Compensation rates vary with the degree of disability and the number of dependents. Compensation is paid monthly and the benefits are not subject to federal or state income tax. Benefits may also be paid to dependents of disabled veterans depending on the degree of disability. MVAD records indicate almost 2,400 compensation claims were submitted in fiscal 2000-01, including 300 first-time applicants. Veterans can reapply either to increase the level of a disability or to identify an additional disability.
- ▶ Disability pensions. Veterans with low incomes who are permanently and totally disabled for any reason may be eligible for monetary support if they have 90 days or more of active duty service with at least one day during a period of war. Payments are made to qualified veterans to bring their total income, including retirement or Social Security income, to a level set by Congress. MVAD records indicate 1,675 pension claims were processed in fiscal year 2000-01, including 455 first-time applicants.

- ▶ Education, burial, and death benefits. Requests for education benefits submitted by MVAD accounted for 203 applications. Staff processed over 1,400 applications for veteran burials and 572 applications for various spousal death benefits or pensions.
- ▶ Enrollment for medical care. For most veterans, entry into the federal VA health-care system starts with enrollment at a VA health-care facility (regional hospital or clinic). Once enrolled, a veteran is eligible to receive services at all federal VA facilities across the state. Eligibility is based upon active military service under other than dishonorable conditions. The veteran’s service discharge form (DD 214) shows service dates, type of discharge, and branch of service. Data for medical enrollments was not available.

The application forms used for most of these benefits are lengthy and fairly complex. In addition, each of the applications can require a significant amount of supporting documentation. This can include personal records such as marriage licenses, divorce decrees, dependent birth certificates, military records indicating assignment locations and duties performed, and medical records showing evidence of medical conditions. A service officer can help the veteran determine what supporting documentation is necessary, where to find the material, and how to get copies or originals for review by the federal VA.

Transmittal to Federal VA

The service officer also assists with the actual submission of documentation to the federal VA. Generally, forwarding applications and supporting documentation is accomplished with a transmittal form. This form serves as a cover sheet indicating the types of documentation attached and submitted (application forms and supporting material). The transmittal is used to record the date material is received by the VA office. A date-stamped original of the transmittal (minus the attachments) is returned to the service office verifying VA receipt. Multiple transmittals are frequently used for a single claim because:

- ▶ Supporting documentation may not all be available at the same time,

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- ▶ Necessary supporting documentation may not be identified until preliminary material is received and reviewed, or
- ▶ The veteran’s status has changed since the initial submission.

Establishment of Claims Effective Dates

Federal criteria allows for the establishment of a claim effective date based upon the receipt of the intent (letter, phone call, or formal application) to apply for a claim from the veteran. The importance of an effective date is that it determines when payments start regardless of when the federal VA approves a claim. Early establishment of effective dates can result in months or years of retroactive payments. Based on a combination of interviews, observations, and files reviews, we concluded the process for establishing effective dates is timely and consistent between service offices. Service officer concern about establishing the earliest possible effective date for the veteran leads them to process material to the VA as soon as it becomes available.

Conclusion: MVAD establishment of effective dates is timely and consistent.

Claims Processing at the Federal VA Level

Code of Federal Regulations (CFRs) provides the primary criteria for a determination of whether a veteran qualifies for disability compensation or pension benefits. Service officers use CFRs to help prepare the claim, and federal VA reviewing officials use the CFRs to evaluate the claim. The following discussion uses a disability compensation claim as an example to explain the process.

Initial Federal VA Review and Rating Determination

Upon receipt of an application and supporting documentation for a compensation claim, a VA claims examiner verifies the accuracy and legitimacy of the material. Some information can be accepted at face value while other information must be verified. The claims examiner can request copies of military service and additional private medical records as part of the process. In addition to verifying a medical condition, the official can request a medical examination at a VA facility or by a contract provider. Acquisition and verification of records and medical condition can all take time. As a result

according to VA officials, it is not uncommon for the initial review process to take from several months to more than a year.

The claims examiner forwards the claim to a VA rating specialist responsible for determining the level of disability or disability rating. When a rating is determined, the veteran and the designated power of attorney are formally notified of the rating and the monetary award associated with the rating.

Decisions May be Appealed

Veterans have the right to appeal all decisions, both a denial and the percent or amount of the rating made by the rating specialist. The veteran has one year from the date of the notification of a federal VA decision to file an appeal. The veteran must file a written notice of disagreement with the regional VA office. Then, the VA provides a “statement of the case” describing the facts considered and the laws and regulations used to make the denial decision. The veteran has 60 days to file a “substantive appeal.”

As with the initial application and supporting documentation, veterans normally require assistance to request and prepare for an appeal. In the past, an appeal hearing was scheduled at the regional facility conducting the initial review. The hearing was conducted by a federal VA hearings officer. The veteran would attend with a service officer or be represented by a service officer.

Decision Review Officer Approach is New

Two years ago, federal criteria changed allowing the VA to use decision review officers in lieu of an appeal hearing (at the veterans choice). The veteran and/or the service officer can still participate in this less formal process. The difference between a hearing and this review is that there is no formal record of the discussion leading to a decision (no testimony recorded). In addition, a decision review can result in an immediate decision regarding a compensation rating.

Appeals to Washington and US Court

If an appeal results in the decision being over-turned at the regional VA level, the veteran is notified of the disability rating and the monetary award. If the veteran is denied again or disagrees with the new rating, the veteran has the option to pursue further appeal to the

Board of Veterans’ Appeals in Washington DC. The veteran may be represented by service organization attorneys available in the Washington area or a private attorney. If there is still disagreement after a Board of Veterans’ Appeals hearing, the final level of appeal is to the U.S. Court of Appeals for Veterans Claims (federal court, not part of the federal Department of Veterans Affairs).

Need for Additional Legal Support

During planning, we considered the need for MVAD to provide additional legal assistance to veterans. We noted legal support is available to MVAD from the Montana Department of Justice, through various national veterans’ legal services organizations, and from a variety of reference material documenting historical claims cases. For appeals, the most common practice is for veterans to use legal support available from military service organizations with headquarters in the Washington DC area (where the court of appeals is located). In addition, veterans have the option to hire private attorneys to represent them during appeals cases.

Conclusion: Additional legal support is not required to improve MVAD support to veterans.

Montana Operations are Similar to Other Western States

We contacted veterans’ assistance organization officials of three western states to compare missions and structures to Montana’s. Although the missions of all three states are similar to Montana (veterans’ assistance), the resources dedicated to the process vary considerably. All three states rely on state General Fund money to support their programs.

We found Idaho and North Dakota operations are comparable to Montana. Both these states designate geographic areas of responsibility for service officers and schedule travel to provide coverage for rural areas. Idaho employs nine FTE to cover the state, but also uses county service officers (mostly part-time employees funded at the county level) to prepare initial applications. South Dakota uses a total of thirteen FTE to cover the state. Four FTE are dedicated to travel in rural areas.

Unlike these three states, Utah contracts with a veterans service organization to provide veteran assistance. While the Utah approach is the least costly (\$75,000 year), it also provides very limited services in terms of veterans' access to service officers. Outreach to rural areas, including tribal reservations is almost non-existent. The state of Utah is also the only state we contacted that does not track the number of claims, timeliness, or other data associated with claims processing.

Chapter III - Mission Authority and Responsibility

Introduction

In this chapter we discuss our first audit objective: Determine if Montana law provides the Board/Montana Veterans' Affairs Division (MVAD) the authority and responsibility to accomplish its mission? Overall, our answer to this audit objective is *yes*. We reached the following conclusions for this objective:

- ▶ MVAD's allocation of staff and the use of these resources for rural outreach meets the intent of the law regarding statewide provision of services.
- ▶ The level of cooperation between MVAD and other state and federal agencies meets the intent of the law.
- ▶ The quality of the working relationship with the federal VA could be improved.
- ▶ MVAD meets the statutory intent regarding promoting the welfare of veterans.
- ▶ Montana law provides broad authority for the Board/MVAD mission.
- ▶ Additional missions would require increases in resources.
- ▶ Montana law should be changed to reflect Board/MVAD responsibility for cemetery oversight.
- ▶ Administrative attachment to the Department of Military Affairs is appropriate.
- ▶ MVAD service office facilities are accessible by veterans. Separate facilities are not required.

In the following sections, we discuss each of these areas.

Montana Law Identifies the Current Mission

In Chapter II, we noted Montana law (section 10-2-102, MCA) establishes Board duties as: 1) providing for statewide veterans service, 2) cooperating with state and federal agencies, and 3) promoting the general welfare of veterans and their families. Based on this statute, MVAD describes its primary mission as representing

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veterans and their families in the claims and appeals process of the federal VA.

Statewide Service to Veterans

We determined through interviews and a review of historical law changes that the need for assistance to veterans was established in Montana following World War I and although the mission evolved over time, the evolution was a function of the type of benefits available. That is, after World War I, the primary benefit was state bonus payments, so the mission focused on providing bonuses to veterans. Since World War II, the types of benefits have expanded significantly. As a result, since World War II, the mission of the Board/MVAD has focused on assisting veterans in their effort to obtain these benefits.

We noted the current structure provides for eight offices located in the largest urban areas in the state. MVAD field service officers travel to many smaller communities as well, to assist veterans in more rural areas. MVAD's efforts to make rural outreach effective includes scheduling visits to Montana's tribal reservations, nursing homes, hospitals, and private residences if necessary.

Conclusion: MVAD's allocation of staff and the use of these resources for rural outreach meets the intent of the law regarding statewide provision of services.

Cooperation Between State and Federal Agencies

During our visits to field service offices, we observed staff providing a wide range of assistance ranging from counseling to explanations of benefits, to referral to other state and federal agencies. At each service office, a variety of referral resource lists were available, identifying local, state, and federal government veterans' support entities as well as private sector veterans' assistance resources. We also noted documentation in veteran files reflecting referral to other state and federal entities such as the Montana Department of Public Health and Human Services, Job Services offices at Montana Department of Labor and Industry locations, the federal Social Security program, and the federal Department of Labor.

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Conclusion: The level of cooperation between MVAD and other state and federal agencies meets the intent of the law.

Working Relationship Between MVAD and Federal VA

One of the areas we examined relating to cooperation with state and federal agencies was the relationship between MVAD and the federal VA. We found communication and coordination between the various federal VA officials and MVAD staff was described as ranging from very good to adversarial. The lower the quality of communication and coordination, the longer it takes for claims issues to be resolved. Untimely communication and coordination results in a wait for documentation to be exchanged, adding weeks or months to the resolution process.

We determined the most important factor affecting communications is the information systems used. We found adequacy of evidence, training issues, and claims status can all be improved if both organizations share and use the same information. We noted the system used by the federal VA to track claims activity is not accessible from MVAD field offices. The secure lines needed for this system are cost prohibitive. Access is available to service officers assigned to the Fort Harrison VA office. In Chapter IV, we address the need to upgrade management information and communications equipment to improve claims processing effectiveness.

We found the quality of the relationship between MVAD staff and federal VA officials affects the quality of service provided to veterans. We believe the adversarial relationship stems from differences in the roles of the two organizations. When MVAD and the federal VA communicate and coordinate effectively, veterans benefit, when communication is not effective, veterans do not benefit. We believe the quality of the relationship between MVAD staff and federal VA officials could be improved through cooperative efforts by MVAD and VA management.

Conclusion: The quality of the working relationship with the federal VA could be improved.

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Promoting the Welfare of Veterans

In addition to observing veterans receiving assistance from service officers and technicians, we examined case files reflecting the assistance provided. We noted an extensive number of files were established over the years for veterans who received assistance. We identified examples of service offices receiving 30 to 50 phone calls from veterans on a daily basis. We also observed 10-20 veterans (walk-ins and appointments) visiting both field offices and travel facilities each day. In addition, we found service officers make presentations to various community groups to discuss veterans benefits and encourage application where eligible. The amount of individual compensation and pension awards to Montana veterans amounts to approximately \$44 million annually.

Conclusion: MVAD meets the statutory intent regarding promoting the welfare of veterans.

Conclusion

Audit objective 1 was established to respond to the interim subcommittee's question about whether the existing statute reflected the current mission of the Board/MVAD. We found MVAD assists veterans and their families statewide as required by Montana law, promotes the general welfare of veterans, and includes a wide range of assistance activities.

Conclusion: Montana law provides broad authority for the Board/MVAD mission. The Board/MVAD are generally in compliance with the law.

Additional MVAD Missions

Another question we addressed during the initial phases of the audit was whether optional missions could be established to increase services to veterans. Suggestions included a more direct approach to outreach using staff to assist with managing individual veterans needs, an option described as veterans case management. Case management would include more involved referral services and follow-up. For example, case managers could provide a range of professional counseling or referral for mental health services, family treatment, or career development. Because of the skills required for

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case management, MVAD would require a different staffing expertise compared to field service officers.

Another mission option could consider the acquisition and provision of available federal grant monies. We noted one available grant provides direct assistance (money, food, clothing, shelter, transportation, etc) to veterans unable to acquire services any other way. Another grant program provides funding for construction, acquisition or renovation of facilities and vans for outreach. This grant also includes a provision for per diem money that could be provided directly to veterans. However, the per diem portion of the grant is only available to organizations that also receive the grant funding for construction, acquisition, or renovation of facilities, or provide case management services. Finally, we identified several categories of federal grants that include funding for activities such as a veterans industries program, mental health services, domiciliary care, and homeless case management. Administration of these grant activities would require a mix of new facilities and additional staff resources different from those required for the current assistance mission.

Other States Missions Also Focus on Assistance

As noted in chapter II, we reviewed three western states to compare mission similarities and differences. We noted all three, though different organizationally, focus on providing assistance to veterans in support of claims for benefits. Like Montana, these states had not included case management or grant administration in their mission.

Additional Missions Would Change Operations

Expansion of the mission beyond the current extent of assistance services would result in a different state organization and operation, and require resources. In previous sections of the report, we discussed the amount of assistance provided to veterans in terms of disability compensation, pension, education, and death benefit claims processed annually. Without decreasing the current mission, we conclude existing MVAD resources could not absorb additional duties and responsibilities of case management or grant administration options.

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Conclusion: Additional missions would require increases in resources.

Current Board/MVAD Mission Does Not Include Cemetery Oversight

Although section 10-2-601, MCA, requires the Department of Military Affairs (DMA) to establish veterans' cemeteries, historically the Board/MVAD has been responsible for the development of Montana's state veterans' cemeteries. Initially that meant only the facility at Fort Harrison and included day-to-day cemetery management by the MVAD-assigned cemetery sexton. In 1997, the legislature authorized the Board to pursue a second state veterans' cemetery. Although reference to the Board of Veterans' Affairs is included in non-codified language from the session, the statutory language indicates the DMA shall establish cemeteries. The 1999 session law (chapter 51) revised statute to reflect a second cemetery at Miles City. Reference to the department was not changed despite its limited participation in site selection and arranging for federal grant funding for construction. The Board/MVAD continues to oversee both Montana veterans' cemeteries

The state currently operates two veterans' cemeteries. At the Fort Harrison facility, over 1,200 veterans are entombed. Space is available for over 36,000 veterans. The Miles City facility was established in calendar year 2001 and approximately 30 veterans have been entombed to date. Space is available for over 15,000 veterans at Miles City.

Conclusion

We conclude the current oversight/management of cemeteries is effective. However, the law does not reflect Board/MVAD administrative oversight. We noted both DMA officials and the Board support revising statute. We believe Montana law should be changed to reflect oversight by the Board/MVAD.

Recommendation #1

We recommend the Board/MVAD and the DMA seek legislation to revise statute to reflect cemetery oversight by the Board/MVAD.

Department of Military Affairs Resources Support MVAD

Section 2-15-1205, MCA, assigns the Board to the DMA for administrative support. During the audit, we noted various types of support are provided by DMA to the Board/MVAD. Support consists of administrative assistance in the central office in Helena, including personnel management and budget preparation. In addition, the central office is co-located within the DMA headquarters facility. In the field, four of the eight service offices are located in National Guard facilities. In addition to providing rent-free offices, DMA staff provides assistance such as on-site security to MVAD.

Service Office Facilities/Locations

The Subcommittee on Military and Veterans' Affairs asked about the adequacy of MVAD facilities provided by DMA. As noted earlier, we observed all eight service office locations. The regional service office facilities are either co-located in local National Guard armories, in community VA facilities, or in a central downtown location. The majority of these facilities are provided rent-free. We found all facilities provide reasonable access for interested veterans. Therefore, we did not identify the need to provide separate MVAD facilities.

Conclusion: MVAD service office facilities are accessible by veterans. Separate facilities are not required.

DMA Support Includes Supplies

We noted DMA shares office equipment and furnishings (from desks and chairs to copiers, shredders, etc) with MVAD offices, and provides office supplies (paper, pencils, tape, staples, etc.). We were also advised DMA has provided facilities for conferences and training, as well as assisted with special projects in support of homeless veterans. DMA is not involved in providing direct assistance to veterans. Veteran assistance is controlled by the

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Board/MVAD. We noted other states' veterans' assistance organizations are similarly assigned to their state military organization for administrative purposes, yet provide veterans' services autonomously.

Conclusion

We found the assignment of the Board/MVAD to DMA for administrative purposes positively impacts the mission of the Board/MVAD. In addition to cooperation and staff assistance, the effect of sharing facilities provides fiscal relief to the Board/MVAD operations budget.

Conclusion: Board/MVAD administrative attachment to the Department of Military Affairs is appropriate.

Chapter IV – Resources For Mission Support

Introduction

During our audit work, we examined how Montana Veterans' Affairs Division (MVAD) resources are allocated to achieve its mission. There are 19.5 FTE to provide statewide services, and the annual operating budget totals approximately \$700,000. The Department of Military Affairs (DMA) provides resource support in the form of rent-free facilities and occasionally office supplies. In addition, we found other services such as radio/newspaper advertising and satellite facilities are provided at no charge. MVAD staff also contribute to the mission by providing personal cell phones, buying their own office supplies, and/or using surplus property as much as possible.

The purpose of the second audit objective was to determine if reallocation of Board/MVAD resources could improve mission support. Our answer is *yes*, a reallocation of resources would improve services. We developed the following conclusions from this objective:

- ▶ Additional management information and communications equipment is needed to improve services to veterans.
- ▶ Evaluation of travel efficiency is needed.

This chapter discusses these conclusions.

Additional MVAD Communication is Needed

During office visits and staff interviews, we found the equipment available for MVAD officer communication impacts the timeliness and accessibility of MVAD services. For example:

- ▶ Lack of accessible and available communications equipment, such as cell phones, limits service officers ability to communicate with other MVAD staff and VA personnel. To provide timely service, we noted examples of staff using personal cell phones to contact the VA during visits to rural areas. We noted some of the facilities used during travel do not provide access for long distance phone calls.
- ▶ Limited computer capability and access to federal VA management information systems increases communication time and delays processing claims. Other states use electronic

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systems to provide statewide access for claims management activities. They also ensure supervisory staff access federal VA systems to track and monitor VA claims actions. VA officials provide staff with training to effectively use these systems.

- ▶ Most service offices operate with one or two phone lines. If only one line is available, no one else (veterans, other MVAD staff, or VA officials) can contact the regional office when that line is used to query the VA computer system at Fort Harrison. During our audit, it routinely took over an hour to get an open phone line into a field service office.

Communications and Management Information Impact Veterans' Assistance

Based on our audit findings, we believe communications equipment and capabilities have a direct impact on the quality of assistance provided to veterans. From our contacts with other state officials, we noted they use various commercial veteran assistance software packages or claims management information systems. These off-the-shelf systems help service officers communicate information between staff and the VA as well as track upcoming claims processing activities. The systems also provide additional capability to prepare various forms required for filing claims. Further, these systems are capable of helping to organize and format appeals documentation and assist with office operations such as budgeting and expenditure management. We noted the cost of one system is about \$7,500 with annual fees around \$750 to \$1,000 for maintenance and support.

In the past, the division focused on computers and photocopiers. Other equipment needs should also be incorporated into budget and operating expenditures. Although the legislature approved funding for eight new computers for this biennium, the legislative mandate for vacancy savings to reduce General Fund expenditures resulted in a management decision to delay and reduce computer purchases. Up-to-date computers along with other communications equipment identified above would improve the effectiveness of MVAD staff.

Conclusion

There is a need to increase the technology and equipment capabilities of MVAD to promote communications and ensure veteran access to services. In Chapter II we also discuss the need to improve

communications and management information. We believe the division can meet its goals by developing a management information system that provides for claims tracking and monitoring and by upgrading field office equipment needed for improved communications.

Recommendation #2

We recommend MVAD upgrade management information systems and communications equipment to improve veterans services.

MVAD Travel Resources Could be Used More Efficiently

MVAD spends approximately \$30,000 a year on travel and vehicle costs for rural outreach. This does not include direct personnel costs for staff time or indirect costs such as overtime. Five of the nine officers spend six to eight days a month or up to 36 percent of their time traveling. We projected the division is spending approximately \$80,000 a year (11 percent of projected expenditures) for staff time and vehicle costs on rural outreach.

We noted MVAD has not established a methodology for formally evaluating the efficiency of officer travel. Field office staff identified other options for providing outreach services to veterans in rural areas, including tribal reservations, such as using veterans' service organization vans or community senior citizen buses to transport veterans to the urban communities where MVAD offices are located. In addition, staff suggested a reasonable level of assistance can be provided by using the telephone and mail system.

Based on our observations and from historic information maintained by a few offices, we noted field service offices were busy in terms of the number of veterans visits each day and the number of phone calls received from veterans seeking assistance. This was not always the case at rural locations. For example, we did not observe any veterans using the Lame Deer or Colstrip locations. Further, records indicate no veteran has asked for assistance at the Colstrip location in over seven months. We noted that while the time spent in a

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community assisting veterans can be productive, the time spent traveling to and from locations is not.

Other States Evaluate Travel Efficiency

The three other western states we contacted established methodologies to evaluate statewide allocation of service officers. We found all three states provide some level of outreach to rural areas. Two of the states established regional or field offices like Montana (two and six locations), while the third state developed a rotating schedule to various rural areas of the state. Based on visitation trends and officer commitments, some of these rural areas in other states are provided services on a quarterly or biennial basis rather than monthly.

Travel Alternatives Are Available

Some service officers said they revised travel schedules and locations over the years when the number of veterans seeking assistance approached zero for several consecutive visits. As an example, we noted the Billings office does not travel to surrounding rural communities because they found the vast majority of veterans travel to Billings routinely. Although the Billings office determined it was not a productive use of time to travel to the area southeast of Billings, the Miles City office now serves that area. We found other officers continue existing schedules regardless of the number of contacts with veterans. We believe a range of alternatives to current travel schedules is available. These include:

- ▶ Varying visits to locations depending on the level of activity (monthly, quarterly, or semi-annually).
- ▶ Determining the availability of vans and buses to provide transportation to the service office, then advertising schedules and encouraging veterans to use this resource.
- ▶ Establishing procedures to allow for a combination of mail and phone contact to help prepare applications for submission.

Conclusion

The division does not evaluate the efficiency of travel to make decisions about the use of funding resources committed to rural outreach. Some travel is continued because “its always been that way” rather than because of the efficient use of officer’s time or

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because outreach services are provided to a significant number of veterans. We conclude MVAD should evaluate staff travel schedules and examine the range of alternatives available. We believe implementation of travel alternatives and reallocation of resources could increase officer efficiency and improve service to veterans.

Recommendation #3

We recommend MVAD evaluate staff travel efficiency and develop alternatives for providing rural outreach services.

Chapter V - Improving Veterans Claims Processing

Introduction

In this chapter, we discuss audit objective 3: Could MVAD claims processing be improved? Our answer to this audit objective is *yes*. We identified several areas where management and supervision could be improved. We examined this area because of the direct impact of the MVAD claims process on the quality of service received. We developed the following conclusions for this objective:

- ▶ MVAD should establish an on-site quality control process.
- ▶ Defined policies would improve claims processing consistency and service to veterans.
- ▶ A standardized classification would increase claims processing flexibility.
- ▶ Increased training would improve service to veterans.
- ▶ Workload evaluation is needed to improve decision-making.

In the following sections, we discuss each conclusion.

Stronger Quality Control Over Claims Processing Needed

MVAD field officer and technician supervision is minimal. Supervision of claims processing activities has been based on reviews of material provided by staff through the transmittal process (described in chapter II). The current approach does not include on-site review of the process used by officers and technicians and offers little feedback. Staff suggested the piece-meal approach is not effective, because the transmittal process was established primarily for tracking of individual documents. MVAD staff recognized the potential for individual service officer interpretation of federal regulations and medical references. They also recognized a need to narrow the interpretation gap to improve the consistency of service to veterans.

Current Process Results in Service Inconsistencies

During our review of claims processing, we noted inconsistencies between offices such as the degree of individual claims tracking. In

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some offices, the veteran is totally responsible for bringing items to the attention of a service officer in order to receive assistance. For example, if the veteran needs to provide medical evidence and the service officer has explained this to the veteran, the service officer waits until the veteran returns with the material. In other offices, service officers use various means (log books, stacks of active files, or various computer spreadsheets) to track the status of individual claims. For example, one office provides a reminder to veterans when they receive the final VA notice during the appeal process. When the veteran responds to the notice, the process can continue. If the veteran does not respond, the VA does not proceed for at least 60 days. A reminder can reduce the 60-day waiting period.

Inconsistencies such as these mean veterans do not receive the same level of support across the state. We do not believe the “opportunity” to receive assistance and eventually process a claim is jeopardized. However, if one veteran is reminded and prompted and another is not, then the level of assistance is not consistent.

Other Quality Control Systems Used

We noted other states and Montana’s veterans’ service organizations use processes that provide for more centralized review of complete claims cases. Some route complete claims application packages through a central office for review. Others rely on routine on-site supervisory or mentor reviews. All acknowledged these approaches improve consistency and identify problems common to more than one location. Other states’ officials suggested the result of a sound quality control approach is to reduce the interpretation gap and to foster a more positive relationship with federal VA officials.

Quality Control is the Next Step

MVAD management emphasis during the last few years has focused on creating a pro-active veterans assistance process. The administrator prioritized efforts to acquire the division’s first computers, develop criteria for position upgrades, and respond to formal complaints. Changes in technology and the federal VA processes have created new challenges for MVAD and resulted in additional resource needs. In Chapter IV, we discussed other states use of the federal claims management system available at regional

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VA facilities. We believe use of this capability affects claims process quality.

To help MVAD stay current and increase staff effectiveness and consistency, we believe the next step is to establish a more formal approach for quality control of the claims process. The division could do this by expanding the supervisory responsibilities of the senior service officer position to include on-site quality control. According to the position description for the senior service officer, this position is responsible for technical and operational supervision and training of service officers. Further, this position is not only required to be aware of rule and regulation changes, but to provide guidance to service officers in this regard.

Conclusion

In order to improve claims processing quality, the senior service officer position should be used to provide for comprehensive quality control reviews. This approach to quality control would also allow for an increased supervisory role regarding the need for additional training identified in recommendation #8.

Recommendation #4

We recommend MVAD establish a comprehensive quality control review for claims processing.

Standard Policies Should Strengthen the Claims Process

In addition to on-site supervision and quality control, defined policies are needed to provide guidelines for staff to follow when processing claims. Many factors influence the outcome of a claim submitted by a veteran. Process consistency between offices will help assure the same factors are applied to all veterans served. We found MVAD has not established policies regarding how service officers are expected to manage claims. The following sections highlight areas where we believe formal policies are needed to promote statewide consistency in claims management.

MVAD is Not in Compliance With Records Management Statutes

During our review of process timeliness, we identified an issue regarding records management. We noted offices use different

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criteria for determining when to purge veteran files. Individual office purging schedules varied from three to five to seven years. The result is that some offices are retaining material longer than other offices. While most material is eventually purged, some offices elect to retain specific documents that were part of the file. The DD 214 discharge form is the document most consistently retained by all offices, but other documentation may be retained as well.

Section 2-6-213, MCA, requires agencies to establish a schedule for purging and retaining their files. Establishment of a records management policy by MVAD would improve claims processing consistency between division offices.

Policy Should Define Claims Evidence Standards

Both MVAD staff and VA officials commented on claims that appear to lack adequate evidence to support approval/award. MVAD staff indicated it was policy not to question whether a veteran's claim lacked adequate evidence even if they recognized the most likely scenario was denial. This policy is not written, and stems from the concept that given changes in interpretations by the various courts and resulting CFR changes, a service officer never knows when a claim might eventually qualify. Therefore, the preference has been for service officers to submit claims even when they recognize the claim appears to lack adequate evidence to support approval/award.

Federal VA officials expressed concern that claims lacking adequate evidence, while not the major cause of backlogs, add to the total. These claims impact the federal VA's ability to review other cases with adequate evidence. Working the backlog, including claims with inadequate evidence, may result in payment delays for some veterans. Delayed payments are made retroactive to the established effective date.

We talked with staff about the nature of a new policy. Proposals ranged from establishment of specific criteria to nothing more than using good judgment based on experience. Service officers suggested the primary criteria should be to continue to work with the

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veteran to identify evidence if appropriate, but to not submit a claim until evidence is available. In addition to staff comments, federal VA officials offered to work with MVAD staff to develop policy beneficial to both agencies.

Inconsistent Use of Veterans' Outreach Materials

Similarly, we noted an inconsistency between offices related to the use of memorandums and handouts to encourage and educate veterans regarding opportunities to apply for benefits. The various handouts we observed addressed topics such as: 1) when to file a compensation claim, 2) information regarding VA-sponsored home loans, 3) how to complete medical enrollment, and 4) state veterans' cemetery information. Some offices use this notification/advertising approach, others use it to a limited degree, and some do not use it. MVAD policy should address a minimum standard for this type of material.

Officers Vary on Providing Home Visits

We noted not all staff are willing to make home visits. Officers who are reluctant to provide services in a veteran's home cited security as their number one concern. Those officers suggested other arrangements could be made such as finding a family member who can arrange for transportation, or mailing documentation back and forth. Other officers indicated home visits are conducted because the veterans visited may be disabled and security is not a concern. Without a formal policy, the result is inconsistent services to veterans. MVAD policy should establish procedures for home visits.

Reporting Staff Overtime

Based on our visits to MVAD field offices, we found staff may work overtime and not report these hours. In other cases, staff will limit veteran access in order to avoid working overtime. Improper reporting of overtime can lead to noncompliance with the federal Fair Labor Standards Act and state law. On the other hand, if service officers leave travel locations without providing service to those waiting, in order to comply with available work hour criteria, veterans' claims may be delayed. We observed the number of veterans seeking assistance at travel locations could vary significantly. We observed locations where no veterans wanted assistance, and we observed other locations where ten or more

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veterans were lined up on arrival of the service officer. To address all the needs of the ten veterans, overtime for the day was required.

Some service officers indicated it was usually easier to work overtime, but not record the hours. Others suggested it was best to simply provide a schedule and leave when the scheduled time was complete. We found the difference between these two approaches influences the availability of services. We recognize those officers who travel will face this dilemma on a routine basis. We believe MVAD should work with the DMA personnel officer and the Personnel Division at Department of Administration to identify alternatives such as the use of flex-time or compensatory time. A flex-time or compensatory time policy could create flexibility needed to compensate for a busy schedule.

Rural Outreach Facilities Vary

As noted earlier, LAD staff reviewed all eight office facilities as well as nine rural outreach facilities. Most facilities used to conduct rural outreach to veterans are public buildings such as Job Service offices, courthouses, public libraries, etc. In some locations, the options available are limited. We noted the division does not have a policy defining the type of capabilities needed at rural outreach facilities. For example, one facility serves alcohol and allows smoking. This environment is not conducive to the level of communication needed to process a veteran's claim. In other facilities, such as public libraries, the ability to conduct confidential conversations is limited. We believe these limitations could impact service and accessibility of veterans to MVAD staff. MVAD policy should establish standards for rural outreach facilities.

Conclusion

The previous sections identify areas where defined policies would help promote consistency and provide guidelines for staff and supervisors. Our list outlines some of the key areas noted during the audit. The claims management process is complex, with ever changing regulations. Therefore, the need for defined policies should be an on-going priority for MVAD management

Recommendation #5

We recommend the Board/MVAD establish policy for key activities including:

- A) Records Management.
- B) Claims Evidence Standards.
- C) Outreach Material Standards.
- D) Home Visits.
- E) Staff Overtime.
- F) Type of Facilities Used for Rural Visits.

Staffing Change Could Improve MVAD Effectiveness

We identified three areas associated with staffing that could improve claims processing effectiveness:

- ▶ Standardize classifications for all staff.
- ▶ Increase training/mentoring.
- ▶ Establish workload assessment methodology.

We examine each of these in the following sections.

Standardize Position Classifications

Section 2-18-203, MCA, requires a review of all positions on a regular basis and adjustment of classifications to reflect duties and responsibilities. We compared the duties identified in MVAD position descriptions to the duties actually performed. The difference between the duties of service officers and technicians is minimal. We also found inconsistent position classifications based both on the level of experience and training and individual position upgrades pursued during the last few years.

Service Officer Classifications

Although MVAD service officers perform the same duties, we found variances in classifications for these positions. These variances have resulted from an individual approach to seeking position upgrades rather than a comprehensive review of all officer classifications. As a result, some positions have not been reviewed or updated for several years. We believe a standard classification system for service officers could be developed to reflect experience levels and training received.

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Service Officers vs. Service Technicians

Since most service officers frequently travel to rural locations, technicians assume all office responsibilities during these absences. We found many of the technicians have worked longer in MVAD than some of the officers and were responsible for training the officers when they were hired. We observed many examples of veterans receiving exactly the same types of assistance from the technician as they did from a service officer.

Historically, we noted the technicians evolved from positions originally established as secretaries. As an interim step, the positions were identified as program assistants. Finally, based on duties which included most of the service officer requirements, the positions were classified as technicians.

Officers and technicians indicated there were drawbacks to the current arrangement. At times veterans were reluctant to discuss claims issues with technicians, because they believed better service could be provide by the designated service officer. In some cases, when the service officer was on leave or traveling, this resulted in time delays with claims preparation and submission. In addition, we discussed this issue with federal VA officials. According to these officials, internal VA policies require contact with service officers specifically designated to discuss a veteran's claim. We noted that most technicians are currently qualified as a result of completing the same training as officers, but are not designated as service officers. Despite the experience and qualifications, some veterans and VA officials are reluctant to discuss confidential issues with a representative not identified as a service officer.

Conclusion

With a standard classification, MVAD would have more flexibility to provide services to veterans. It would also provide the opportunity to consider changes in staff allocations and assignment locations. Travel responsibilities could also be distributed more evenly between staff. Further, communication and coordination with VA officials could be enhanced, improving assistance to veterans.

Recommendation #6

We recommend MVAD review and revise technician and officer classifications to reflect current duties and responsibilities.

Increase Training/Mentoring

Veteran assistance services constantly change due to Code of Federal Regulations amendments, court case decisions, and appealed case decisions. We found MVAD staff training generally consists of a one-week session per year in Helena for all service officers and technicians. The topics at the annual training have varied from year to year. We found the consensus of staff was that the most useful training was directed at review and discussion of specific claims processed by MVAD.

We noted when a new officer is hired, they are scheduled to spend a day or two observing in Helena. In addition, they can complete a variety of available self-paced correspondence courses. MVAD attempts to schedule the officer for attendance at a national service organization course, but has to wait for funding support from one of the veterans' service organizations. As a result, the officer may not attend a formal course for over a year. Although new officers are encouraged to call an experienced service officer for claim-by-claim assistance, new officers may be in rural areas and phone line limitations do not allow for immediate assistance.

During our visits to service offices, we observed a range of assistance to veterans, documentation maintained, use of VA computer systems, and knowledge of claims processing. Officers provided examples of procedural requirements that they were not aware of until it affected one of their cases. For example, if a power of attorney is not submitted when it needs to be available at the VA, the officer and the veteran or spouse wait for a response to a claim that cannot be processed. This results in unnecessary delays in claims processing.

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Other States Provide Extensive Officer Training

Two other states, Idaho and South Dakota, operate veterans' assistance programs similar to Montana. These states have regionally located staff to assist veterans with claims processing. Both of these states formalized training for new officers and limit independent operations until training is completed. Staff mentoring is required for one to three months in addition to the training. Testing and claims processing evaluations are conducted during the training period as well. Attendance at national service organization training conferences as well as in-state training sessions is also required. Staff are required to attend at least two formal training sessions a year.

Veterans' Service Organizations Also Emphasize Training

The Veterans of Foreign Wars (VFW) uses a three-tiered approach for training officers. This approach is designed to provide on-going guidance and mentoring to new staff. In general, new VFW service officers receive up to three weeks of formal training plus several weeks mentoring with new staff. Disabled American Veterans officers receive up to 12 months of supervised on-the-job training.

Conclusion

To improve consistency and service to veterans, the amount of training provided to MVAD service officers should be increased. Using a mentoring approach would also improve process consistency. By spending two or three days at different locations, officers could exchange their best claims management practices with other MVAD staff. This will help enhance consistency. In addition, mentoring could provide a less expensive method for increasing staff training therefore providing an opportunity to reduce expenditures.

Recommendation #7

We recommend MVAD:

- A. Provide additional staff training.**
- B. Formalize a mentoring methodology.**

Establish Workload Assessment Methodology

In Chapter IV, we identified a need to assess travel efficiency to assure the use of funding resources is effective. We also addressed a need to develop a management information system and to help

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improve communications at all levels. Assessing staff effectiveness to make critical resource decisions requires historic data. In order to determine and evaluate decision alternatives, pertinent workload information should be identified, compiled, and assessed. Although MVAD collected some workload data, we found the material compiled could not be used to assess staff activities or establish work priorities.

During our visits to field service offices, we identified several categories of staff activities that could be tracked to help measure and assess workload. The consensus among staff was that simply counting workload activities was not particularly difficult. We noted several officers already established procedures to track various types of workload information. We compiled a list of workload measures suggested by staff:

- ▶ Number of veteran/dependent contacts (include telephone, walk-in and scheduled appointments, e-mail) both in the field office and in travel locations.
- ▶ Total number of veterans receiving benefits and the benefit amounts.
- ▶ Number of new and re-opened claims by type of claim (disability compensation, pension, education, death benefit, etc).
- ▶ Quantify the extent of research activity required for case development.
- ▶ Quantify application forms submitted and all correspondence.
- ▶ Number of appeals prepared.
- ▶ Number of referrals to private, state, and federal entities.
- ▶ Number of group presentations.

Conclusion

We noted other states compile similar types of information to measure workload effectiveness and to help manage the claims process. We believe MVAD should establish a system to evaluate staff workloads and division activities. This evaluation should be

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ongoing to improve decision-making in areas such as more/less travel, more/less office time, number of staff in each office, office locations, part- versus full-time staff needs, and workload priorities.

Recommendation #8

We recommend MVAD evaluate staff activities and work priorities.

Agency Response

VETERANS AFFAIRS DIVISION
DEPARTMENT OF MILITARY AFFAIRS

JUDY MARTZ, GOVERNOR

STATE OF MONTANA

P.O. Box 5715
Helena, MT 59604

RECEIVED

JUN 03 2002

LEGISLATIVE AUDIT DIV.

Scott A. Seacat
Legislative Auditor
Legislative Audit Division
P.O. Box 201705
Helena, MT 59620-1705

Dear Mr. Seacat,

The purpose of this letter is to provide comments by the Montana Board of Veterans Affairs concerning the performance audit of the Montana Board of Veterans Affairs and the Montana Veterans Affairs Division. We thank Angie Grove and Tom Cooper for their professionalism and superb evaluations which will greatly enhance services and support to Montana Veterans and their family members.

The following is the Board's response to your audit communication dated 5/22/02 which contains 8 recommendations:

Recommendation #1-We recommend the Board/MVAD and the DMA seek legislation to revise statute to reflect cemetery oversight by the Board/MVAD.

Board Response: Concur. The Board/MVAD and DMA is coordinating with the State Administration and Veterans Affairs Interim Legislative Committee to propose and support legislation accordingly. While the Board understands the statutory authority for expenditures of special revenue funds (veterans license plate sales, donations and burial fees) to support cemetery administration, the Board strongly believes this use, in lieu of General Fund support, will negatively impact current and all future cemetery operations and maintenance.

Recommendation #2-We recommend MVAD upgrade management information systems and communications equipment to improve veterans services.

Board Response: Concur. There will be new and increasing General Fund resources required which the Board/MVAD has in the past and is now requesting Executive Planning Process support from the Governor's Budget Office and the Legislature.

Recommendation #3-We recommend MVAD evaluate staff travel efficiency and develop alternatives for providing rural outreach services.

Board Response: Concur. The Board and MVAD has and will continue to evaluate and adjust staff travel.

Recommendation #4-We recommend MVAD establish a comprehensive approach for claims processing quality control.

Board Response: Concur. In order to fully implement this recommendation there will be new and increasing General Fund resource requirements to enhance the quality control program with onsite veteran service office visits by the Senior Service Officer and by expanding automation processes.

Recommendation #5- We recommend the Board/MVAD establish policy for key activities including:

- A) Records Management
- B) Claims Evidence Standards
- C) Outreach Material Standards
- D) Home Visits
- E) Staff Overtime
- F) Type of Facilities Used for Satellite Visits

Board Response: Concur. Actions are underway to review, update and formalize these policies.

Recommendation #6- We recommend MVAD review and revise technician and officer classifications to reflect current duties and responsibilities.

Board Response: Concur. The Board/MVAD will continue its process of reviewing and revising classifications.

Recommendation #7- We recommend MVAD strengthen staff training by:

- A) Providing additional training
- B) Formalizing a mentoring methodology

Board Response: Concur. In order to fully implement these recommendations, there will be new and increasing General Fund resource requirements to support these suggestions.

Recommendation #8- We recommend MVAD establish a workload evaluation methodology to assess staff activities and work priorities.

Board Response: Concur. Beginning July 1, 2002, in addition to the current workload reporting items, we will be compiling the suggested workload measures.

The Board appreciates the report and looks forward to support from the Legislature to provide necessary resources in order to fully implement the recommendations.

Sincerely,



Johnny Buck
Chairman
Board of Veterans Affairs

CF: Governor Martz
MG Prendergast

